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JAN 17 2006

PUBLIC SERVICE
COMMISSION

DAMON R. TALLEY

ATTORNEY AT LAW

January 16, 2006

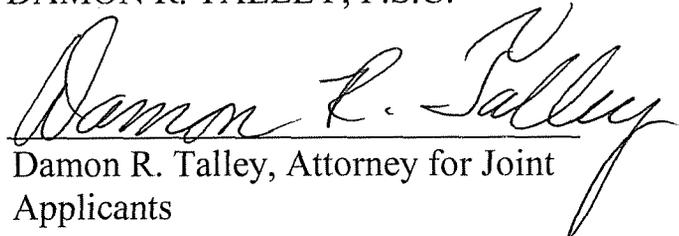
Ms. Beth O'Donnell
Executive Director
Public Service Commission
PO Box 615
Frankfort, KY 40602

RE: Case No. 2005-00433
Transfer Application
Proposed Transfer of Stock from
Nuon Global Solutions USA BV
to Hydro Star, LLC

Dear Ms. O'Donnell:

Enclosed for filing are the original and eight (8) copies of the Joint Applicants' Response to the Second Data Request of Commission Staff.

Yours truly,
DAMON R. TALLEY, P.S.C.


Damon R. Talley, Attorney for Joint
Applicants

DRT:ms

Enclosures

cc: David Spenard, Attorney General's Office

6/Utilities Inc./O'Donnell 1-16-06

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JAN 17 2006

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE JOINT APPLICATION OF)
NUON GLOBAL SOLUTIONS USA, BV,)
NUON GLOBAL SOLUTIONS USA, INC.,)
AIG HIGHSTAR CAPITAL II, LP,)
HYDRO STAR, LLC, UTILITIES, INC.)
AND WATER SERVICE CORPORATION)
OF KENTUCKY FOR APPROVAL OF AN)
INDIRECT CHANGE IN CONTROL OF A)
CERTAIN KENTUCKY UTILITY PURSUANT)
TO THE PROVISIONS OF KRS 278.020 (5))
AND (6) AND 807 KAR 5:001 (8))

CASE No. 2005-00433

*** **

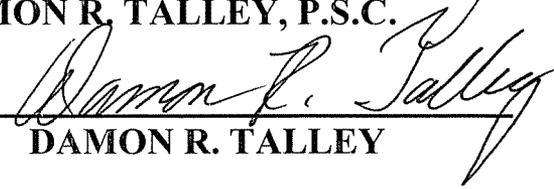
RESPONSE OF JOINT APPLICANTS
TO SECOND DATA REQUEST
OF COMMISSION STAFF

*** **

Come the Joint Applicants, Nuon Global Solutions USA, B.V. (“Nuon BV”), Nuon Global Solutions USA, Inc. (“Nuon USA”), AIG Highstar Capital II LP (“Highstar”), Hydro Star, LLC (“Hydro Star”), Utilities, Inc. (“Utilities”) and Water Service Corporation Of Kentucky (“Water Service”), (the “Joint Applicants”), and for their Response to the Second Data Request of Commission Staff, state as shown on the following pages:

Respectfully submitted this 17th day of January, 2006.

DAMON R. TALLEY, P.S.C.

BY: 
DAMON R. TALLEY

DAMON R. TALLEY, P.S.C.

PO BOX 150

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270-358-3187 FAX: 270-358-9560

COUNSEL FOR NUON BV, NUON USA,

HIGHSTAR, HYDRO STAR,

UTILITIES, INC. AND WATER

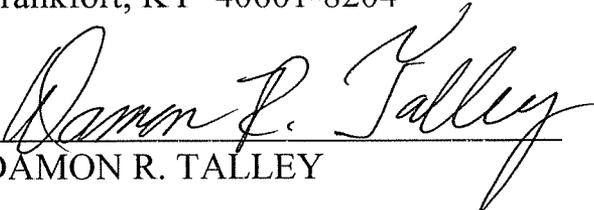
SERVICE

drtalley@alltel.net

CERTIFICATE OF SERVICE

This is to certify that a true copy of the foregoing pleading was served by first class U.S. Mail, postage prepaid, or hand delivered, this 17th day of January, 2006 to the following:

Honorable David E. Spenard
Assistant Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204


DAMON R. TALLEY

Q1. Refer to Applicants' Response to Commission Staff's First Data Request, Item 3(a)-(d). Applicants' response was not responsive. Provide a detailed response to each of the items noted in the original request (as shown below):

In response to Item 15(c) and (e) of the First Data Request of Commission Staff in Case No. 2005-00323, Applicants state that Water Service is funded by equity from Utilities and that these capital infusions will continue post-closing. For each capital infusion that occurred during the 4-year period of 2000 through 2004, provide the following information:

- a. The date and amount.
- b. The reason for the infusion.
- c. The source (e.g., debt, stock, internal cash reserves, parent, etc.). If debt, include the interest rate and the party that issued the debt. If stock, include the party that issued the stock.
- d. Explain the impact the stock transfer will have upon Utilities, Inc.'s ability to obtain capital.

**RESPONSE: Parts a & b. Date, amount and reason
for capital infusions**

Attached as **EXHIBIT A** is a table which summarizes all capital expenditures made by Water Service Corporation of Kentucky ("Water Service") from October 1, 2002 (date it commenced operations) through December 31, 2005. **EXHIBIT A** includes those projects which are classified as Capital Projects because the project cost exceeds a certain threshold or meets other criteria.

It also includes all other expenditures which were recorded to the General Ledger as Capital Expenditures. The total exceeds \$1,649,636.

Attached as **EXHIBIT B** is a detailed list of all Capital Projects undertaken by Water Service from October 1, 2002 through December 31, 2005. **EXHIBIT B** is a detailed listing of the expenditures shown in **EXHIBIT A** as “Capital Projects.”

EXHIBIT B shows the date each Project started and the actual or estimated completion date. It also contains a project description, project location, the estimated cost of each Capital Project and the actual amount spent.

RESPONSE: Part c. Source of Funds

The Capital Expenditures (both for Capital Projects and for other capital expenditures) set forth in **EXHIBIT A** were funded by infusions of capital from Water Service’s parent, Utilities, Inc. Water Service will continue to receive necessary capital infusions from Utilities, Inc. post-closing. Therefore, Water Service’s ability to provide reasonable water service will not be impaired.

RESPONSE: Part d. Impact of Stock Transfer Upon Utilities, Inc.

The stock transfer will result in the availability of additional funding resources for the growth and expansion of Utilities, Inc., in addition to its current sources of funding for ongoing operations and capital expenditures.

Through Highstar, Hydro Star can assist Utilities, Inc. and Water Service in accessing additional growth capital with favorable financing terms. Through its prior investments and broad relationships, Highstar has strong credibility with, and access to, debt and equity financing sources, which will enable Utilities, Inc. to take advantage of the capital markets to achieve favorable financing terms.

In addition, through AIG Highstar Capital, L.P. and AIG Highstar Capital II, L.P., the Highstar team manages over \$1.2 billion of equity capital on behalf of a group of limited partners, which include universities, corporations (including certain AIG affiliates), pensions and high net worth investors. The Highstar Funds' limited partners seek investments in stable businesses with relatively predictable, consistent cash flow characteristics.

Thus, Highstar's investment in Utilities is consistent with Highstar's mandate.

WITNESS: Steven M. Lubertozi, Director of Regulatory Accounting, Utilities, Inc.

EXHIBIT A

Water Service Corporation of Kentucky

Capital expenditures [net of retirements] from date of acquisition through 12/31/2005

	Capital Expenditures Recorded to the General Ledger	Capital Projects	Total
2002	\$ 78,678.56	\$ 15,367.50	\$ 94,046.06
2003	158,212.03	145,566.24	303,778.27
2004	144,196.20	373,463.31	517,659.51
2005	368,660.68	365,491.81	734,152.49
Total	\$ 749,747.47	\$ 899,888.86	\$ 1,649,636.33

EXHIBIT B

* = has been Amended

Capital Projects - List

System# State	Region #	Project Name	Start Date Complete Date	Estimated Cost Total Spent	Other Information
0160 KY -- Atlantic	Water Service Corporation of	Replace maintenance dump truck	05/10/2004 10/30/2004	\$56,901.00 \$52,601.13	92.44%
ID# 2381	*Completed	160-0160-3917000			
0162 KY -- Atlantic	Clinton	Replace 100-year old clear well tank	12/01/2004 01/31/2006 *	\$350,000.00* \$159,681.06	45.62%
ID# 669	Open	W/O#: 160-0162-115-05-01			
0162 KY -- Atlantic	Clinton	Rebuild 100 meter base settings	03/01/2005 12/31/2005	\$36,200.00 \$33,509.60	92.57%
ID# 2686	*Completed	W/O#: 160-0162-115-05-02			
0170 KY -- Atlantic	Middlesboro	Avondale Project	12/01/2002 12/31/2005 *	\$19,954.00* \$10,956.76	54.91%
ID# 898	*Completed	W/O#: 160-0170-115-02-02			
0170 KY -- Atlantic	Middlesboro	Install Filter Rewash Valves	08/01/2003 01/31/2005 *	\$39,600.00* \$39,419.26	99.54%
ID# 682	*Completed	W/O#: 160-0170-115-04-02			
0170 KY -- Atlantic	Middlesboro	To Land fill Alum Sludge	12/01/2003 12/10/2003	\$17,175.00 \$989.41	5.76%
ID# 1978	*Completed	160-0160-1862052			
0170 KY --	Middlesboro	Paint 1978 1.2M Gal Storage Tank-Lead Abatement	06/01/2004 10/30/2004	\$190,294.00 \$189,805.85	99.74%
ID# 679	*Completed	160-0160-1862024			
0170 KY -- Atlantic	Middlesboro	Move Water Plant Sludge from Ponds to Drying Area	08/15/2004 11/01/2004 *	\$7,000.00 \$6,700.00	95.71%
ID# 2497	*Completed	160-0170-7754008			
0170 KY -- Atlantic	Middlesboro	To Paint the exterior of 1.2 Million Gallon Tank	10/01/2004 08/01/2005 *	\$20,000.00 \$19,165.94	95.83%
ID# 2590	*Completed	160-0160-1862024			
0170 KY -- Atlantic	Middlesboro	Rebuild 100 meter base settings	01/01/2005 12/31/2005	\$17,450.00 \$17,029.16	97.59%
ID# 1714	*Completed	W/O#: 160-0170-115-05-01			
0170 KY -- Atlantic	Middlesboro	Replace Filter Pump Starters & Plant Electrical Panal	01/01/2005 12/31/2005	\$8,500.00 \$7,093.34	83.45%
ID# 2674	*Completed	3113025			

Capital Projects - List

* = has been Amended

System# State	Region #	Project Name	Start Date Complete Date	Estimated Cost Total Spent	Other Information
0170	Middlesboro KY -- Atlantic	Replace Backhoe	01/01/2005 06/01/2005	\$60,000.00 \$62,661.00	104.44%
ID# 2684	*Completed	160-0170-3917000			
0170	Middlesboro KY -- Atlantic	Replace 10% of WSCK's Water Meters	01/01/2005 12/31/2005	\$25,980.00 \$25,198.64	96.99%
ID# 2685	*Completed	W/O#: 160-0170-115-05-02			
0170	Middlesboro KY -- Atlantic	Replace Valve Actuators in Pipe Gallery	01/01/2005 12/31/2005	\$48,000.00 \$27,516.00	57.33%
ID# 2689	*Completed	160-0170-3113025			
0170	Middlesboro KY -- Atlantic	Purchase a new Lawn and Garden Tractor	02/01/2005 04/01/2005	\$8,000.00 \$7,612.50	95.16%
ID# 2666	*Completed	160-0170-3466094			
0170	Middlesboro KY -- Atlantic	Replace 2 in. Water Main / 42nd st. & Winchester Ave.	03/01/2005 12/31/2005	\$26,500.00 \$20,115.03	75.91%
ID# 2678	*Completed	W/O#: 160-0170-115-05-03			
0170	Middlesboro KY -- Atlantic	Looping 6in. Main @ 35th st. & Dorchester Ave	03/01/2005 12/31/2005	\$20,250.00 \$13,129.15	64.84%
ID# 2679	*Completed	W/O#: 160-0170-115-05-04			
0170	Middlesboro KY --	46th Street 6in. Water Main Extension	03/01/2005 12/31/2005	\$21,700.00 \$15,531.96	71.58%
ID# 2680	*Completed	W/O#: 160-0170-115-05-05			
0170	Middlesboro KY -- Atlantic	Replace Filter Backwash Troughs	04/01/2005 12/31/2005 *	\$52,475.00 \$55,878.00	106.48%
ID# 2672	*Completed	W/O#: 160-0170-115-05-07			
0170	Middlesboro KY -- Atlantic	Re Surface WTP Driveway	04/01/2005 10/31/2005	\$12,500.00 \$12,988.34	103.91%
ID# 2675	*Completed	160-0170-3043021			
0170	Middlesboro KY -- Atlantic	Install Generators at 3 MGD Surface WTP	05/01/2005 06/30/2006	\$131,400.00 \$118,751.00	90.37%
ID# 2583	*Completed	W/O#: 160-0170-115-05-06			
0170	Middlesboro KY -- Atlantic	To Purchase Lab Equipment for Surface WTP	08/01/2005 12/31/2005	\$5,600.00 \$5,639.20	100.70%
ID# 3565	*Completed	3446095			

Capital Projects - List

* = has been Amended

System# State	Region #	Project Name	Start Date Complete Date	Estimated Cost Total Spent	Other Information
0170	Middlesboro	Roof Water Plant Buildings	10/01/2005	\$54,081.50	
	KY -- Atlantic		12/30/2005		0.00%
ID# 3698	*Completed	W/O#: 160-0170-115-05-08			
0170	Middlesboro	Rebuild 100 Meter base settings	01/01/2006	\$24,900.00	
	KY -- Atlantic		12/31/2006		0.00%
ID# 1880	Fully Approved				